

Setting Up Tax Profiles

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aACE provides thorough, flexible control over tax calculations by using [tax profiles](#) (<https://aace5.knowledgeowl.com/help/overview-of-tax-profiles>).

This index guide steps through the general process for setting up your tax profiles, with links to more detailed guides. If you need to set up additional tax profiles later, you can use the following steps as well.

Fully configuring your tax setup is a four-step process:

1. Identify the required tax jurisdictions.
2. Create the tax profile(s).
3. Link those tax profiles to postal codes.
4. Set tax exemptions for the appropriate companies.

1. Identify Required Tax Jurisdictions

Consult with your team members to organize [the best approach for your tax profiles](#) (<https://aace5.knowledgeowl.com/help/overview-of-tax-profiles#IdentifyingNeededTaxProfiles>), based on where your customers receive the product and the [aACE tax rate calculations](#) (<https://aace5.knowledgeowl.com/help/understanding-tax-rate-calculations>).

Identifying the relevant tax rates for each jurisdiction may require research from a state government website or from a reliable tax resource like [Avalara](#) (<https://www.avalara.com/eu/en/resources/tools/free-us-sales-tax-risk-assessment.html>).

2. Create the Tax Profile(s)

For each jurisdiction that your team identifies, [create a tax profile](#) (<https://aace5.knowledgeowl.com/help/tax-profiles-overview-of-tax-profiles>).

You may also need to create an additional tax profile that will be applied when the other tax profiles are *not* relevant. This tax profile will often be flagged as the default – used when no others apply.

For example, a company's team might conclude that they need to collect taxes in Ohio, Indiana, and Illinois. They would create tax profiles with all the applicable tax rates for those three states, but *not* for the other 47 states. Orders shipped to these three main states

would use the state-specific tax profiles. However orders sent to Wisconsin, for example, would *not*. Instead, a fourth, 'alternate state' tax profile could be automatically applied as the default.

To easily keep tax details up-to-date, it may be helpful to use a service such as AvaTax. To see an example, read our [AvaTax Feature Highlight](https://www.aacesoft.com/resources/easily-and-accurately-collect-sales-taxes-with-aace-avalara-avatax) (<https://www.aacesoft.com/resources/easily-and-accurately-collect-sales-taxes-with-aace-avalara-avatax>).

3. Link Tax Profiles to Postal Codes

After you have the needed tax profiles, you must [link them to the correct postal codes](https://aace5.knowledgeowl.com/help/linking-tax-profiles-to-postal-codes) (<https://aace5.knowledgeowl.com/help/linking-tax-profiles-to-postal-codes>).

When orders are entered, aACE will check the ship-to postal code, then apply the correct tax profile.

Note: The primary driver for setting an order's tax profile should be the ship-to postal code. If your team members are having to regularly change the tax profiles applied on orders, it may be a signal that your tax setup needs more attention.

4. Set Tax Exemptions and Special Tax Profiles for Companies

Tax profiles should be automatically assigned based on the postal code where the customer receives the product. Exceptions to this guideline should be rare. A tax profile configured for a specific customer should only be used in special cases (e.g. resale situations).

You may also have customers within a taxable area who are tax exempt. You must [mark the Tax Exempt flag](https://aace5.knowledgeowl.com/help/flagging-companies-as-tax-exempt) (<https://aace5.knowledgeowl.com/help/flagging-companies-as-tax-exempt>) on these company records.
